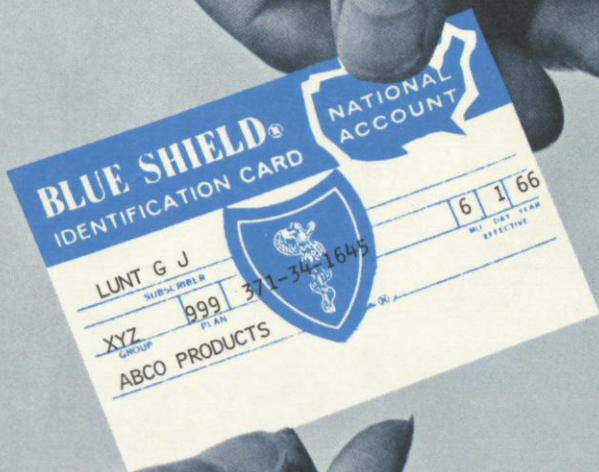


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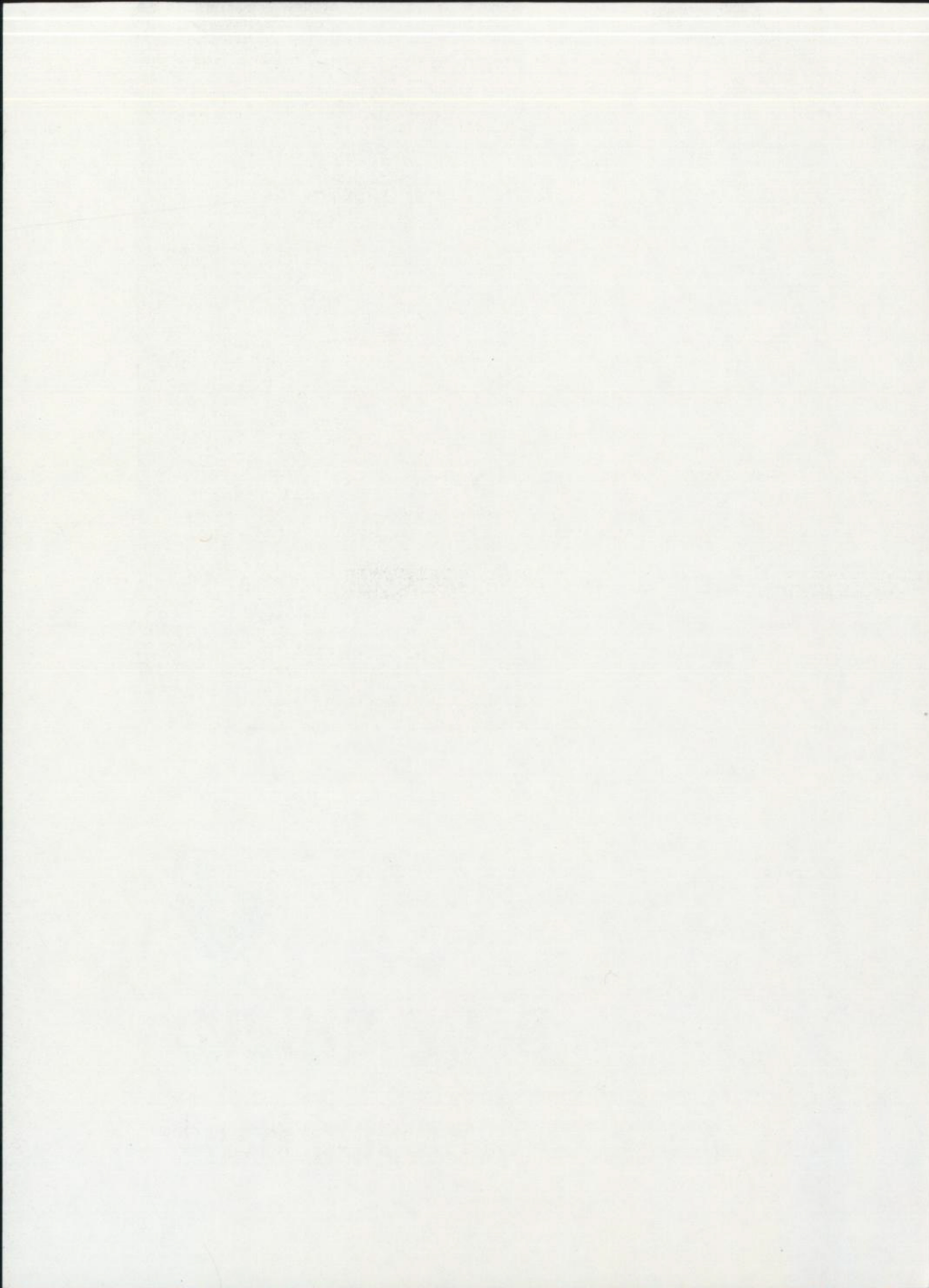
BLUE SHIELD
A Helping Hand

mrb



BLUE SHIELD

A Helping Hand





To the man who himself
strives earnestly, God also
lends a helping hand.

Aeschylus—Persae. 742.

Alec Casey is going to walk again.

His chances of doing so didn't look too promising a few years ago when he was stricken suddenly with a strange and insidious affliction that left him completely paralyzed.

In the hospital, doctors armed with all the miraculous facilities of modern medical science fought to save his life.

The bills for all of this extensive and highly specialized care were staggering. Alec's local Blue Shield and Blue Cross Plan paid a total of \$21,759 in medical and hospital bills.

The Caseys know what modern medical care can do. And they fully appreciate the value of Blue Shield, which pays doctor bills, and Blue Cross, which pays hospital bills.

In another part of the country, a medical tragedy enveloped the John Webber family.

Mrs. Webber and six of her 10 children were injured and burned when their stalled car was struck by a train and burst into flames as they were returning from a Halloween party. At Christmas time that same year, three of the children were still hospitalized for treatment at the hospital's burn center.

The Webber's Blue Shield-Blue Cross Plan paid \$32,633 toward the physician and hospital bills. John says he doesn't know what he would have done if he hadn't had the protection of Blue Shield and Blue Cross.

Fortunately, most of us never need to face medical catastrophes like these.

On the other hand, when you or any member of your family needs medical or hospital care, you are concerned about paying for it.

Today, there is a way for the average American to plan ahead for the medical emergency—whether large or small—through voluntary prepayment plans.

Blue Shield is truly a helping hand—extended at a time of urgent need.

Origins of Health Insurance

For many centuries, people have been concerned about their health needs and expenses. The first known example of a prepayment contract made on the North American continent was drawn up in 1655 by a group of Montreal's early settlers and the local master surgeon. This document provided that the surgeon would treat the settlers, their wives and children for the annual sum of five hundred francs. The step taken by these settlers to seek medical protection was but a first move towards the implementation of the health care protection programs we know today.

Some two centuries later, certain U.S. insurance companies began writing policies to provide cash benefits for injuries suffered in railway or steamboat accidents. Gradually, these contracts were broadened to cover all manner of accidental injuries.

Around 1900, contracts offering limited cash payments for disability resulting from either sickness or injury became available to "selected risks," that is, people with excellent health records who could afford to pay the premiums. Unfortunately, this was the very group that needed protection least but was best able to pay for it.

In contrast to the "selected risk" approach, in which benefits were limited to small cash awards and available only to preferred individuals, many European countries undertook government-financed health insurance schemes.

Germany, under Bismarck, first came up with a universal compulsory tax-supported and government-operated sickness insurance program in 1883. Historically, this marked the beginning of socialized medical services.



Prepayment in the U.S.

The earliest forerunners of Blue Shield in the United States appeared at the turn of the century in isolated lumber and mining camps in the Pacific Northwest. Here, large companies contracted with individual doctors or groups of doctors to go into the camps and provide general medical services for workers on a monthly, prepaid basis.

Later, a number of county medical societies organized their own medical service bureaus. These bureaus contracted with employers on behalf of the entire medical society membership, enabling patients to retain their free choice of physician. Some of these county service bureaus are still operating, and several have merged into statewide Blue Shield Plans.

The Great Depression of the early 1930's saw American doctors concern themselves more and more with the ways and means by which their patients could pay for needed medical care. The doctor was interested primarily in taking care of his patient, and he did not want any third party to interfere. On the other hand, the doctor did not want his patients to suffer any severe economic privation because of medical bills.

In September, 1938, the House of Delegates of the American Medical Association, meeting in extraordinary session, endorsed for the first time the principle of voluntary health insurance.

This action was based on several urgent factors: First, Blue Cross had already proved that hospital care could be prepaid and that the people, in large numbers, wanted to prepay it. Second, there was tremendous political pressure for inclusion of medical care in the new Social Security program. Finally, many physicians realized that a prepayment program was needed to assist people in obtaining modern medical care.

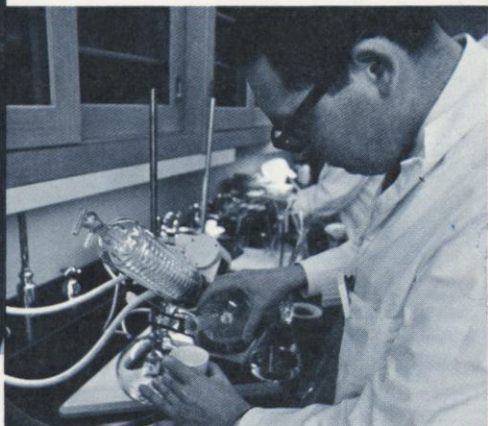
One of the earliest Blue Shield-type Plans was established in California in 1939 by the California Medical Association. That same year saw the establishment of Blue Shield Plans in Hawaii, Michigan and Buffalo, N.Y.

The Blue Shield name and symbol were first used by the Buffalo Plan in 1939. Later, the Blue Shield designation and symbol became the exclusive right of Plans qualifying for, and holding, membership in the National Association of Blue Shield Plans.

Currently, Blue Shield Plans in the United States, Puerto Rico, and Canada underwrite medical-surgical coverage for 63 million people. Blue Shield's underwritten enrollment has grown at the rate of two million annually for the past 10 years, and this trend is expected to continue.

In addition, Blue Shield serves 13 million Americans under various fiscal arrangements in government programs, such as Part B of Medicare, the Title 19 "Medicaid" programs for indigent and medically-indigent persons, and health care for dependents of military servicemen.

Thus, 76 million lives are touched by Blue Shield in the financing of health care, and this number will continue to grow.



Reasons for Growth of Prepayment

What were the underlying reasons for the tremendous growth of the prepayment concept of health care? The principal factors include:

- Change from rural to urban society. The turn of the century brought a shift in the population from the rural to the urban community and an ultimate breakdown of family ties.

- Need for a “family” substitute. With this change in the pattern of living, individuals began organizing into groups along social, nationality, occupational, religious, or political lines to fill needs formerly supplied by the family unit. By pooling their funds, these groups offered the individual a social means for meeting the uncertainties of financial loss due to death or fire or theft.

— Medical progress. Sixty or seventy years ago, medical care consisted largely of the ministrations of the family doctor who carried his limited instruments and medicines around in a small black bag. Today, the physician may call upon a wide range of services and facilities in treating the patient, including highly specialized medical and surgical techniques. The many dramatic technological breakthroughs that occurred also brought about increasing costs, and an even greater need for a mechanism to help the individual finance his health care.

— Rising standards of living and education. As the levels of education and living standards improved, the public became more aware of the importance of obtaining good health care.

— Health care as a basic necessity. Gradually, the public began to think of health care as a basic necessity of life.

While these and other economic and social forces were at work in the country, Americans were searching for a way to protect themselves from medical bills.

The principle of "insurance" had not been utilized extensively in the health care field.

It was Blue Shield—with its commitment from the medical profession—which developed a program whereby the individual could prepay his medical services. The concept was simple. Everyone in the program paid a small sum periodically to a central fund. When an individual in the program received services from a physician, the money in the central fund would be used to pay the doctor.

This concept of medical-surgical "prepayment" caught on, and today Blue Shield is the nation's largest voluntary non-profit medical care prepayment organization.

What Makes Blue Shield Unique?

Blue Shield is a typically American contribution to the sociology of medical care financing. There is nothing quite comparable to it in any of the other industrial nations of the world where almost universally the government plays a dominant role in the health care programs.

The medical profession, through Blue Shield, has developed a unique approach to the problem of medical security. It has shown that it is possible through Blue Shield to preserve the free choice of physician on a fee-for-service basis and the private, confidential patient-physician relationship in financing the best possible medical care.

As local enterprises, Blue Shield Plans are able to meet the peculiar needs of the areas they serve. At the same time, the National Association of Blue Shield Plans provides coordination in offering uniform programs to large firms or industries which have employees in various parts of the nation.

Keeping the medical needs of the people of the community in mind, Blue Shield Plans work closely with their local or state medical societies. Medical policies and the formulation and administration of benefit programs are developed with the guidance of the medical profession.

Business and labor have also influenced the development of Blue Shield by seeking broader health care coverage and providing the funds to pay for this protection. Because of their heavy involvement in Blue Shield, this public voice has also been a factor in giving direction to Blue Shield in meeting the needs of the people and the profession.

All of this has made possible a rich variety of experimentation that Plans share with each other and which comprises the greatest fund of experience ever assembled in the medical-surgical prepayment field.

Blue Shield Expanding Benefits

In the early days, Blue Shield benefits were designed primarily to help the low and middle income patient pay for needed medical care. Local Blue Shield Plans were developed largely in cooperation with Blue Cross Plans, and benefits were geared chiefly to in-hospital surgery.

Today, government programs are helping the underprivileged and the aged receive health care, and the public has intensified its demands for broader health care benefits and the mechanisms to pay for them.

Blue Shield is meeting the demands of the consumer by expanding its scope of benefits. It is shifting more and more to programs which provide full payment of the physician's fee for covered services. It is moving toward a more uniform pattern of benefits that extends far beyond surgical services.

In the past five years, Blue Shield coverage for anesthesia and in-hospital medical coverage has been extended to an additional 11 million persons. Pathology coverage has expanded by more than 12 million. Radiology and consultation coverage has increased by over 10 million.

Many Blue Shield Plans are developing programs to provide other types of coverage, including dental care, prescription drugs, and ambulance service.

Blue Shield's National Organization

Few organizations can match the growth of Blue Shield. When the National Association of Blue Shield Plans was formed in 1946, its membership consisted of nine Plans serving less than one million subscribers.

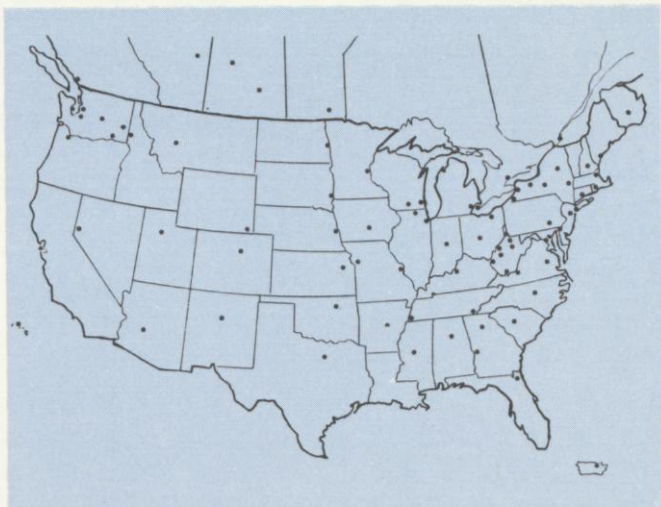
Today, NABSP is the coordinating arm for 82 Blue Shield Plans in the United States, Canada and Puerto Rico.

NABSP is dedicated to the promotion and expansion of non-profit, voluntary, prepayment Plans to finance the medical care needs of the public. It is governed by a 33-member board of directors, representing member Plans across the country.

Member Plans meet in national session at least once annually to work out their policies and programs on matters of mutual interest. The NABSP has no power to design subscriber contracts or to control policies of any single member Plan. But each member Plan is required to maintain certain membership standards.

Among other things, these standards require that a member Plan have local physician support, be operated on a nonprofit basis, permit subscribers a free choice of physician, provide coverage that effectively meets the costs of covered services for a substantial majority of the population area it serves, and conduct a utilization review program.

In addition, Plans are required to maintain adequate records of their operations, submit reports on their financial condition and operations, and maintain reserves equivalent to three months' operating and claims expense.



• Location of Blue Shield Plans

The NABSP assists with many of the problems Plans face by holding national meetings relating to accounting, processing of claims, maintaining of statistics and records, enrollment, public and physician relations, and government programs. In many technical fields of Plan operation, NABSP brings together Plan personnel to share experiences and develop operating procedures which increase efficiency and reduce costs.

Demands of national groups for uniform and complex benefit programs, together with the need for efficient and economical delivery of its medical care programs on a national scale, require the continued strong efforts of a national coordinating agency.

NABSP also serves as Blue Shield's national spokesman, conveying Blue Shield achievements and objectives to the public, government, and national organizations.

The Future of Blue Shield

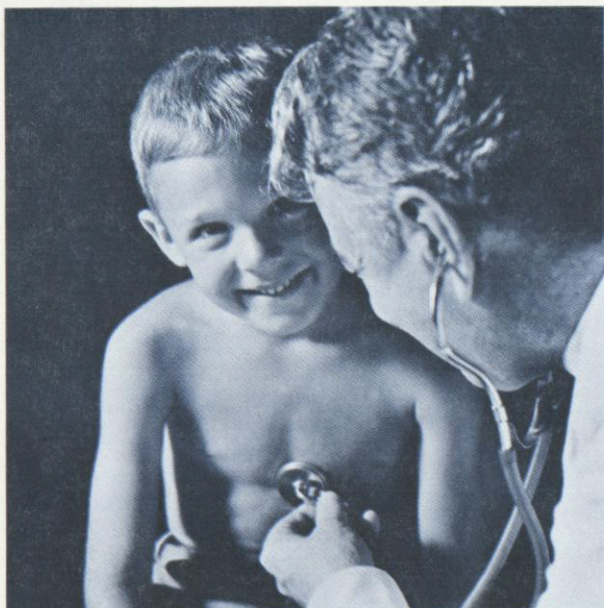
Today, the public recognizes the Blue Shield concept of prepayment as a major force in the voluntary health care field.

Consumer demands, however, are constantly changing. Medical care is far more complex and expensive. The public is becoming increasingly aware of the kinds of coverage it wants and how the costs of providing such care should be met.

Large national corporations are concerned, too, that their employees throughout the country receive broad uniform benefits on a paid-in-full basis.

Blue Shield is working very hard to provide broader coverage in an atmosphere that preserves the free choice of physician and hospital.

In addition, Blue Shield is broadening its scope of benefits, particularly in the area of out-of-hospital care. New benefit programs range from drug and dental services to home care and nursing home services.



Blue Shield is also enlarging its cooperative efforts with paramedical groups and providers of health care services, including pharmacists, dentists, ambulance company owners, extended care facilities, medical supply houses, independent laboratories, physical and speech therapists, and psychologists.

Today, Blue Shield is playing an important role in the administration of government-financed health care programs, such as Medicare and Medicaid.

There may be even more opportunities in the future for Blue Shield to play an effective role in government programs if government purchases prepaid programs from private carriers for those who require this help.



The Voluntary Way

Blue Shield has brought voluntary prepayment into the forefront as a leader in financing private medical care in the United States. Blue Shield is helping to safeguard and strengthen the freedoms of medicine cherished by the patient and the physician alike.

The popular vote of confidence in Blue Shield and Blue Cross throws a great responsibility upon American medicine. Doctors and hospitals and paramedical personnel must continue to work together to merit the confidence of the people.

Blue Shield and Blue Cross have no exact counterparts anywhere else in the world. They are a uniquely American—and successful—contribution to the field of medical economics, assuring the individual the opportunity to prepay the quality health care he so richly deserves.



NATIONAL ASSOCIATION OF BLUE SHIELD PLANS

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